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DATE DISTR. 24 Mar 52

NO. OF PAGES 3 25X1

NO. OF ENCLS.
(LISTED BELOW)

SUPPLEMENT TO REPORT NO. 25X1

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1. The Soviets are not interested in indiscriminate economic operations simply for the purpose of gaining control of corporations. Any operation carried on will have a specific purpose. For example, a "resident" [] buys 25X1 a brewery. This is done for a specific purpose; to give the resident a good legitimate cover and to give him a large source of income. A brewery is ideally suited because it is usually a highly profitable type of business. Another highly interesting activity for the Soviets is gaining control of the banks. [] From the vantage point 25X1 of a bank, economic pressure can be applied in the right places by extending or denying loans, and business activities can be very conveniently watched. Stalin has put all Soviet activity on a basis of "Khozraschot", that is, any activity should justify itself without a subsidy from Moscow. Thus, all activities [] are expected to be financed out of profits from 25X1 business activities [] 25X1
2. A Soviet citizen stationed abroad is in no position to purchase stock in a foreign concern. This is always done by residents. The precaution is always taken of drawing up the necessary documents for sale or transfer of the enterprise and securing the resident's signature before he assumes control of the enterprise. These documents are then guarded in a safe. Should the nominal owner prove recalcitrant, he could be eliminated without endangering title of possession of the enterprise.

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3. When large sums of money are transferred from one country to another, the Soviets arrange for a national of another country to have nominal possession of the funds, and to move into the country where the funds are to be used. A local resident would draw suspicion on himself were he suddenly to gain possession of a great deal of money.

The Establishment of Holding Corporations or Joint Stock Companies.

4. The pretense is always maintained that nationals of the countries wherein the corporations are located, hold a dominant interest. Actually, the Soviets always retain at least 51% of the stock in their own hands and have effective control of the rest through puppets. As mentioned before, a legalized authorization of sale or transfer is obtained beforehand and retained in the possession of the Soviets.

The Extension of Loans or Credit Accommodations.

5. The USSR is little interested in granting foreign loans for it needs funds for its own domestic build-up. Secondly, the USSR prefers to work for the decline of a foreign country's economy rather than to aid in strengthening it. A country with a disrupted economy is fertile ground for Communist expansion; a strong economy will naturally orient itself toward the US. However, the USSR would be willing to give temporary help in a particular situation where benefits would accrue to the USSR.

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6. The Satellites are simply colonies. Soviet officials have just as much freedom of action there as they would in the USSR itself. However, few loans have been extended to the Satellites, for the Soviet policy is for these countries to rely upon their own finances and their own natural resources.

Furnishing of Technical Assistance

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The general policy is to bring natives to the USSR for training in their specialty and also for political indoctrination. Upon return to their own countries they take up the work for which they had trained, and at the same time execute orders from the USSR without attracting attention to themselves, as would a Soviet citizen in a similar position. Many Chinese were trained in the USSR for this purpose.

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Controlling or Influencing Labor Organizations through Subversive Leadership or by Other Means.

10. The policy in respect to labor unions is very flexible and may be improvised according to the specific situation. Soviet agents, nationals of the countries in which they are working, are provided with plenty of money, the source of which is impossible to trace. In a democratic country, almost anything can be done with money. Resident agents do not usually work through the acknowledged leaders of the unions, but try to set up counter-leaders and factions. These counter-leaders are very vocal, aggressive and active.

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One technique is to organize picnics, concerts and dances. Besides being a success socially, these affairs will yield a profit which will be turned over very ostentatiously to the union for charitable work. The actual proceeds may have been very small, but Soviet funds may be used secretly to increase the total or even to cover a loss. In this way, a counter-leader will build up a reputation as a champion of the rank-and-file members. The eventual goal is to squeeze out those leaders who are not oriented towards the USSR. 25X1

Devices for Avoiding Export and Other Controls

12. Soviet agents do not normally attempt to bribe customs officials. This would be too expensive. The usual procedure for sale of a shipment of goods in a foreign country [] is the following: The Soviet trade representative visits the potential buyer with a sample of the goods to be bought. The [] merchant, who knows beforehand how much will be needed to get the goods past customs, undertakes this part of the transaction for he can accomplish it more cheaply and safely. When he places his order for the goods he takes into account this expenditure for customs. The USSR is responsible only for bringing the goods as far as the border, after which [] merchant takes over. Experience has demonstrated that deals concluded in this manner are mutually more profitable. Deals involving Soviet purchases [] are similarly handled. [] Exports to the USSR are brought to the border and cleared through customs [] after which the Soviets are responsible for transportation to the eventual point of destination in the USSR. Once [] brought [] as far as the border, it would be out of the question to pay the costs of returning [] The Soviet Trade Representative often takes advantage of this. Under the pretext that the merchandise does not come up to the standard agreed upon in the contract, he may refuse to accept the material unless a considerable discount is granted. The [] merchant must perforce comply. He cannot afford to lose his USSR market for he would have difficulty in selling [] 25X1
- [] Frequently the trade representative selects [] merchants who have relatives in the USSR in order to exert pressure. A Soviet trade representative can have no conscience in his business dealings. He is charged with making a maximum of profit and that is his only responsibility. 25X1

Trade Agreements or Barter Deals for Strategic Materials.

13. Preferred items of import into the USSR are finished machines and instruments, which are often studied and copied in the USSR. Thus the Soviets avoid the expense of developing and testing the machines.
14. In general, straight barter arrangements are avoided, because they must usually be limited to a single country and involve only certain commodities. Soviet negotiators prefer to operate with large sums of money, which they can manipulate more freely. They like large-scale speculations, such as a sugar transaction [] which drove up the price of sugar 200-300% and caused wide-spread discontent. 25X1

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